



QUARTERLY STATEMENT  
AS OF March 31, 2008  
OF THE CONDITION AND AFFAIRS OF THE  
Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code	1253 (Current Period)	1253 (Prior Period)	NAIC Company Code	95749	Employer's ID Number	62-1546662
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[ ] Dental Service Corporation[ ] Other[ ] Property/Casualty[ ] Vision Service Corporation[ ] Is HMO Federally Qualified? Yes[X] No[ ] N/A[ ] Hospital, Medical & Dental Service or Indemnity[ ] Health Maintenance Organization[X]					
Incorporated/Organized	01/01/1994		Commenced Business	01/01/1994		
Statutory Home Office	1420 Centerpoint Blvd. (Street and Number)		Knoxville, TN 37932 (City, or Town, State and Zip Code)			
Main Administrative Office	1420 Centerpoint Blvd. (Street and Number)		Knoxville, TN 37932 (City, or Town, State and Zip Code)			
Mail Address	1420 Centerpoint Blvd. (Street and Number or P.O. Box)		Knoxville, TN 37932 (City, or Town, State and Zip Code)			
Primary Location of Books and Records	1420 Centerpoint Blvd. (Street and Number)		Knoxville, TN 37932 (City, or Town, State and Zip Code)			
Internet Website Address						
Statutory Statement Contact	Melissa R Anderson (Name)		(865)670-7282 (Area Code)(Telephone Number)(Extension)			
	manders1@covhlth.com (E-Mail Address)		(865)470-7461 (Fax Number)			

OFFICERS

Name	Title
Douglas E. Haaland	Chief Operating Officer
Jeffery S. Collake	Chief Financial Officer
Jeffery S. Collake	Secretary

OTHERS

DIRECTORS OR TRUSTEES

Thomas Rowe Bell	Kenneth Truman Creed
Daniel J. David MD	Michael McKay Dudley
Marvin H. Eichorn	Randolph Murphree Lowry MD
Kenneth Frederick Luckman MD	Cletus Joseph McMahon Jr. MD
Michael Earl Mitchell MD	David A. Nowiski
Francis H. Olmstead Jr.	Anthony L. Spezia
Dean M. Turner MD	Sandra L. Mathy

State of Tennessee  
County of Knox ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Douglas E. Haaland  
(Signature)  
Douglas E. Haaland  
(Printed Name)  
1.  
Chief Operating Officer  
(Title)

Jeffery S. Collake  
(Signature)  
Jeffery S. Collake  
(Printed Name)  
2.  
Chief Financial Officer  
(Title)

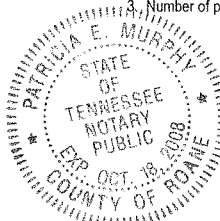
Jeffery S. Collake  
(Signature)  
Jeffery S. Collake  
(Printed Name)  
3.  
Secretary  
(Title)

Subscribed and sworn to before me this  
2nd day of June, 2008

Patricia E. Murphy  
(Notary Public Signature)

a. Is this an original filing?  
b. If no, 1. State the amendment number  
2. Date filed  
3. Number of pages attached

Yes[X] No[ ]



## ASSETS

		Current Statement Date			4 December 31, Prior Year Net Admitted Assets
		1	2	3	
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	
1.	Bonds .....	55,854,139		55,854,139	54,143,000
2.	Stocks:				
2.1	Preferred stocks .....				
2.2	Common stocks .....				
3.	Mortgage loans on real estate:				
3.1	First liens .....				
3.2	Other than first liens .....				
4.	Real estate:				
4.1	Properties occupied by the company (less \$.....0 encumbrances) .....				
4.2	Properties held for the production of income (less \$.....0 encumbrances) .....				
4.3	Properties held for sale (less \$.....0 encumbrances) .....				
5.	Cash (\$.....1,537,959), cash equivalents (\$.....0) and short-term investments (\$.....0) .....	1,537,959		1,537,959	2,411,620
6.	Contract loans (including \$.....0 premium notes) .....				
7.	Other invested assets .....				
8.	Receivables for securities .....				
9.	Aggregate write-ins for invested assets .....				
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....	57,392,098		57,392,098	56,554,620
11.	Title plants less \$.....0 charged off (for Title insurers only) .....				
12.	Investment income due and accrued .....	690,615		690,615	757,046
13.	Premiums and considerations:				
13.1	Uncollected premiums and agents' balances in the course of collection .....				
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums) .....				
13.3	Accrued retrospective premiums .....				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers .....				
14.2	Funds held by or deposited with reinsured companies .....				
14.3	Other amounts receivable under reinsurance contracts .....				
15.	Amounts receivable relating to uninsured plans .....				
16.1	Current federal and foreign income tax recoverable and interest thereon .....				
16.2	Net deferred tax asset .....	6,380,244	6,380,244		
17.	Guaranty funds receivable or on deposit .....				
18.	Electronic data processing equipment and software .....				
19.	Furniture and equipment, including health care delivery assets (\$.....0) .....				
20.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
21.	Receivables from parent, subsidiaries and affiliates .....				
22.	Health care (\$.....0) and other amounts receivable .....				
23.	Aggregate write-ins for other than invested assets .....	38,468		38,468	224
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	64,501,425	6,380,244	58,121,181	57,311,890
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26.	Total (Lines 24 and 25) .....	64,501,425	6,380,244	58,121,181	57,311,890
<b>DETAILS OF WRITE-INS</b>					
0901.	.....				
0902.	.....				
0903.	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page .....				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....				
2301.	A/R Risk Share .....				
2302.	A/R State Admin .....	38,468		38,468	224
2303.	.....				
2398.	Summary of remaining write-ins for Line 23 from overflow page .....				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	38,468		38,468	224

## LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded) .....				
2. Accrued medical incentive pool and bonus amounts .....				
3. Unpaid claims adjustment expenses .....				
4. Aggregate health policy reserves .....	5,903,520		5,903,520	5,903,520
5. Aggregate life policy reserves .....				
6. Property/casualty unearned premium reserve .....				
7. Aggregate health claim reserves .....				
8. Premiums received in advance .....				
9. General expenses due or accrued .....	19,100		19,100	19,100
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized gains (losses)) .....				
10.2 Net deferred tax liability .....				
11. Ceded reinsurance premiums payable .....				
12. Amounts withheld or retained for the account of others .....				
13. Remittances and items not allocated .....				
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current) .....				
15. Amounts due to parent, subsidiaries and affiliates .....	922,202		922,202	
16. Payable for securities .....				
17. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers) .....				
18. Reinsurance in unauthorized companies .....				
19. Net adjustments in assets and liabilities due to foreign exchange rates .....				
20. Liability for amounts held under uninsured plans .....				
21. Aggregate write-ins for other liabilities (including \$.....0 current) .....	12,811,696		12,811,696	12,240,037
22. Total liabilities (Lines 1 to 21) .....	19,656,518		19,656,518	18,162,657
23. Aggregate write-ins for special surplus funds .....	X X X	X X X		
24. Common capital stock .....	X X X	X X X	1,000	1,000
25. Preferred capital stock .....	X X X	X X X		
26. Gross paid in and contributed surplus .....	X X X	X X X	61,379,848	61,379,848
27. Surplus notes .....	X X X	X X X		
28. Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
29. Unassigned funds (surplus) .....	X X X	X X X	(22,916,185)	(22,231,615)
30. Less treasury stock, at cost:				
30.1 .....0 shares common (value included in Line 24 \$.....0) .....	X X X	X X X		
30.2 .....0 shares preferred (value included in Line 25 \$.....0) .....	X X X	X X X		
31. Total capital and surplus (Lines 23 to 29 minus Line 30) .....	X X X	X X X	38,464,663	39,149,233
32. Total Liabilities, capital and surplus (Lines 22 and 31) .....	X X X	X X X	58,121,181	57,311,890
<b>DETAILS OF WRITE-INS</b>				
2101. Accrued Run-Out Costs .....	10,029,960		10,029,960	10,029,960
2102. Risk Share Audit Reserve .....				
2103. Penalty Reserve .....	445,800		445,800	445,800
2198. Summary of remaining write-ins for Line 21 from overflow page .....	2,335,936		2,335,936	1,764,277
2199. TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....	12,811,696		12,811,696	12,240,037
2301. ....	X X X	X X X		
2302. ....	X X X	X X X		
2303. ....	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page .....	X X X	X X X		
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	X X X	X X X		
2801. ....	X X X	X X X		
2802. ....	X X X	X X X		
2803. ....	X X X	X X X		
2898. Summary of remaining write-ins for Line 28 from overflow page .....	X X X	X X X		
2899. TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above) .....	X X X	X X X		

## STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date	Prior Year Ended December 31
	1 Uncovered	2 Total	3 Total	4 Total
1. Member Months .....	X X X			
2. Net premium income (including \$.....0 non-health premium income) .....	X X X			
3. Change in unearned premium reserves and reserves for rate credits .....	X X X			
4. Fee-for-service (net of \$.....0 medical expenses) .....	X X X			
5. Risk revenue .....	X X X			
6. Aggregate write-ins for other health care related revenues .....	X X X			3,653,634
7. Aggregate write-ins for other non-health revenues .....	X X X			
8. Total revenues (Lines 2 to 7) .....	X X X			3,653,634
<b>Hospital and Medical:</b>				
9. Hospital/medical benefits .....				
10. Other professional services .....				
11. Outside referrals .....				
12. Emergency room and out-of-area .....				
13. Prescription drugs .....			(11,455)	(22,860)
14. Aggregate write-ins for other hospital and medical .....		(114,665)	(28,096)	(129,137)
15. Incentive pool, withhold adjustments and bonus amounts .....				
16. Subtotal (Lines 9 to 15) .....		(114,665)	(39,551)	(151,997)
<b>Less:</b>				
17. Net reinsurance recoveries .....				
18. Total hospital and medical (Lines 16 minus 17) .....		(114,665)	(39,551)	(151,997)
19. Non-health claims (net) .....				
20. Claims adjustment expenses, including \$.....323,469 cost containment expenses .....		563,568	1,505,520	1,159,954
21. General administrative expenses .....		1,464,780	129,648	2,239,962
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only) .....				
23. Total underwriting deductions (Lines 18 through 22) .....		1,913,683	1,595,617	3,247,919
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X	(1,913,683)	(1,595,617)	405,715
25. Net investment income earned .....		572,519	556,396	2,313,664
26. Net realized capital gains (losses) less capital gains tax of \$.....0 .....		73,944	(10,833)	(71,466)
27. Net investment gains or (losses) (Lines 25 plus 26) .....		646,463	545,563	2,242,198
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)] .....				
29. Aggregate write-ins for other income or expenses .....				
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X	(1,267,220)	(1,050,054)	2,647,913
31. Federal and foreign income taxes incurred .....	X X X	(430,855)	(357,018)	(107,346)
32. Net income (loss) (Lines 30 minus 31) .....	X X X	(836,365)	(693,036)	2,755,259
<b>DETAILS OF WRITE-INS</b>				
0601. Miscellaneous Income .....	X X X			3,653,634
0602. ....	X X X			
0603. ....	X X X			
0698. Summary of remaining write-ins for Line 6 from overflow page .....	X X X			
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X			3,653,634
0701. ....	X X X			
0702. ....	X X X			
0703. ....	X X X			
0798. Summary of remaining write-ins for Line 7 from overflow page .....	X X X			
0799. TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	X X X			
1401. Recoveries .....		(114,665)	(28,096)	(129,137)
1402. ....				
1403. ....				
1498. Summary of remaining write-ins for Line 14 from overflow page .....				
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....		(114,665)	(28,096)	(129,137)
2901. ....				
2902. ....				
2903. ....				
2998. Summary of remaining write-ins for Line 29 from overflow page .....				
2999. TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) .....				

## STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>			
33. Capital and surplus prior reporting year .....	39,149,233	33,552,546	33,552,546
34. Net income or (loss) from Line 32 .....	(836,365)	(693,036)	2,755,259
35. Change in valuation basis of aggregate policy and claim reserves .....			
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0 .....			
37. Change in net unrealized foreign exchange capital gain or (loss) .....			
38. Change in net deferred income tax .....			(1,033,059)
39. Change in nonadmitted assets .....	151,795	1,109,503	3,874,487
40. Change in unauthorized reinsurance .....			
41. Change in treasury stock .....			
42. Change in surplus notes .....			
43. Cumulative effect of changes in accounting principles .....			
44. Capital Changes:			
44.1 Paid in .....			
44.2 Transferred from surplus (Stock Dividend) .....			
44.3 Transferred to surplus .....			
45. Surplus adjustments:			
45.1 Paid in .....			
45.2 Transferred to capital (Stock Dividend) .....			
45.3 Transferred from capital .....			
46. Dividends to stockholders .....			
47. Aggregate write-ins for gains or (losses) in surplus .....			
48. Net change in capital and surplus (Lines 34 to 47) .....	(684,570)	416,467	5,596,687
49. Capital and surplus end of reporting period (Line 33 plus 48) .....	38,464,663	33,969,013	39,149,233
<b>DETAILS OF WRITE-INS</b>			
4701. Change in Unrealized Valuation .....			
4702. ....			
4703. ....			
4798. Summary of remaining write-ins for Line 47 from overflow page .....			
4799. TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....			

**Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES**

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	0	0	0
<b>REVENUES:</b>			
1. TennCare Capitation	0	0	0
2. Investment	646,463	646,463	2,242,197
3. Other Revenue	0	0	3,653,634
IBNR / Capitation Revenue Receivable	0	0	0
Premium Tax	0	0	0
State Admin Revenue	0	0	0
4. TOTAL REVENUES (Lines 1 to 3)	646,463	646,463	5,895,831
<b>EXPENSES:</b>			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	0
6. Fee-For-Service Physician Services	0	0	0
7. Inpatient Hospital Services	0	0	0
8. Outpatient Services	0	0	0
9. Emergency Room Services	0	0	0
10. Mental Health Services	0	0	0
11. Dental Services (Capitated & FFS)	0	0	0
12. Vision Services (Capitated , FFS & Opthamology)	0	0	0
13. Pharmacy Services (Capitated & FFS)	0	0	(22,860)
14. Home Health Services	0	0	0
15. Chiropractic Services	0	0	0
16. Radiology Services	0	0	0
17. Laboratory Services	0	0	0
18. Durable Medical Equipment Services	0	0	0
19. Transportation Services (Capitated)	0	0	0
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	0	0	0
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	0	0	0
Anesthesiology - FFS Hosp & Other	0	0	0
Gastroenterology	0	0	0
Preventive Medicine	0	0	0
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	0	0	0
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	0	0	(22,860)
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:	0	0	0
26. Copayments	0	0	0
27. Subrogation	0	0	0
27a Recoveries	114,665	114,665	129,137
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	114,665	114,665	129,137
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	(114,665)	(114,665)	(151,998)

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
<b>Administration:</b>			
31. Compensation (Including Allocated Costs)	234,994	234,994	9,567,364
32. Marketing (Including Allocated Costs)	2,522	2,522	6,290
33. Premium Tax Expense	0	0	0
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	0	0	1,167,298
35. Other Administration (Provide detail)			
Printing	58,168	58,168	143,605
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	49,119	49,119	166,199
Legal Fees	3,885	3,885	11,542
Liquidated Damages	60,200	60,200	(552,350)
Outside Services	112,575	112,575	361,459
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	58	58	4,522
Dues, Fees & Licenses	660	660	41,550
Education & Seminars	0	0	0
Meals & Entertainment	19	19	393
Office Supplies	1,203	1,203	6,339
Minor Equipment	4,097	4,097	4,662
Travel	0	0	218
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	22,089	22,089	40,784
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	66,486	66,486	110,034
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	0
Program Run Out Expense	0	0	0
State Admin Revenue	(3,575,616)	(3,575,616)	(14,235,271)
Miscellaneous Expense	181,933	181,933	(1,314,246)
<b>Total DIRECT Expenses</b>	<b>(2,777,608)</b>	<b>(2,777,608)</b>	<b>(4,469,609)</b>
<b>Other ALLOCATED Expenses (Provide detail)</b>			
Rent/Utilities	0		559,297
Printing	0		86,004
Postage	0		411,526
Legal Fees	0		364,930
Outside Services	0		1,451,036
Board & Committee Fees	0		103,436
Survey Fees	0		67,776
Telephone/Beepers/Cellular Phones	0		336,105
Books & Subscriptions	0		98,831
Minor Equipment	0		74,367
Computer Supplies	0		0
Dues, Fees & Licenses	0		106,331
Education & Seminars	0		61,782
Meals & Entertainment	0		24,456
Office Supplies	0		108,760
Travel	0		68,986
Miscellaneous Expense	4,805,956	4,805,956	167,635
Franchise, Excise & Property Taxes & Sales/Use Tax	0		109,936
Insurance	0		298,828
Leases & Rentals of equipment	0		49,082
Repairs/Maintenance Agreements	0		527,522
Relocation Expense Total	0		2,248
Training and Orientation Total	0		0
Temp/Contract Personnel	0		477,238
Covenant Management Fees	0		2,313,414
<b>Total ALLOCATED Expenses</b>	<b>4,805,956</b>	<b>4,805,956</b>	<b>7,869,525</b>
36. TOTAL ADMINISTRATION (Lines 31 to 36)	2,028,348	2,028,348	3,399,916
FIT & Excise Tax	(430,855)	(430,855)	(107,346)
37. Total Other Expenses:	(430,855)	(430,855)	(107,346)
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	1,482,828	1,482,828	3,140,572
39. NET INCOME (LOSS) (Line 4 less Line 38)	(836,365)	(836,365)	2,755,259

**Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES**

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	315,979	315,979	1,243,200
<b>REVENUES:</b>			
1. TennCare Capitation	44,559,476	44,559,476	188,214,622
2. Investment	30,207	30,207	206,419
3. Other Revenue	0	0	0
IBNR / Capitation Revenue Receivable	25,134,446	25,134,446	24,064,994
Premium Tax	(51,310)	(51,310)	3,253,034
State Admin Revenue			
4. TOTAL REVENUES (Lines 1 to 3)	69,672,819	69,672,819	215,739,069
<b>EXPENSES:</b>			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	0
6. Fee-For-Service Physician Services	8,659,405	8,659,405	24,712,195
7. Inpatient Hospital Services	36,614,349	36,614,349	108,957,785
8. Outpatient Services	13,423	13,423	65,397
9. Emergency Room Services	5,469,193	5,469,193	15,195,927
10. Mental Health Services	5,373	5,373	22,659
11. Dental Services (Capitated & FFS)	733	733	3,076
12. Vision Services (Capitated , FFS & Ophthalmology)	212,368	212,368	825,503
13. Pharmacy Services (Capitated & FFS)	1	1	122
14. Home Health Services	202,900	202,900	900,434
15. Chiropractic Services	0	0	0
16. Radiology Services	76,569	76,569	343,156
17. Laboratory Services	9,234,878	9,234,878	26,737,123
18. Durable Medical Equipment Services	3,226,612	3,226,612	10,770,833
19. Transportation Services (Capitated)	1,119,570	1,119,570	4,599,149
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)	0	0	0
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	1,920,356	1,920,356	8,948,676
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	365,173	365,173	1,462,137
Anesthesiology - FFS Hosp & Other	672,434	672,434	2,833,024
Gastroenterology	10,996	10,996	61,654
Preventive Medicine	767,206	767,206	3,554,256
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	541,353	541,353	3,213,912
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	69,112,891	69,112,891	213,207,018
25. Reinsurance Expenses Net of Recoveries		0	0
LESS:			
26. Copayments		0	0
27. Subrogation	211,270	211,270	1,010,472
27a Recoveries	199,965	199,965	574,275
28. Coordination of Benefits		0	0
29. Subtotal (Lines 26 to 28)	411,235	411,235	1,584,747
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	68,701,656	68,701,656	211,622,271



Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
<b>Administration:</b>			
31. Compensation (Including Allocated Costs)	0	0	0
32. Marketing (Including Allocated Costs)	0	0	0
33. Premium Tax Expense	971,164	971,164	4,116,797
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	0	0	0
35. <b>Other Administration (Provide detail)</b>			
Printing	0	0	0
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	0	0	0
Legal Fees	0	0	0
Liquidated Damages	0	0	0
Outside Services	0	0	0
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	0	0	0
Dues, Fees & Licenses	0	0	0
Education & Seminars	0	0	0
Meals & Entertainment	0	0	0
Office Supplies	0	0	0
Minor Equipment	0	0	0
Travel	0	0	0
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	0	0
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	0	0	0
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	0
Program Run Out Expense	0	0	0
State Admin Revenue	0	0	0
Miscellaneous Expense	0	0	0
<b>Total DIRECT Expenses</b>	<b>971,164</b>	<b>971,164</b>	<b>4,116,797</b>
<b>Other ALLOCATED Expenses (Provide detail)</b>			
Rent/Utilities	0	0	0
Printing	0	0	0
Postage	0	0	0
Legal Fees	0	0	0
Outside Services	0	0	0
Board & Committee Fees	0	0	0
Survey Fees	0	0	0
Telephone/Beepers/Cellular Phones	0	0	0
Books & Subscriptions	0	0	0
Minor Equipment	0	0	0
Computer Supplies	0	0	0
Dues, Fees & Licenses	0	0	0
Education & Seminars	0	0	0
Meals & Entertainment	0	0	0
Office Supplies	0	0	0
Travel	0	0	0
Miscellaneous Expense	0	0	0
Franchise, Excise & Property Taxes & Sales/Use Tax	0	0	0
Insurance	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	0	0
Relocation Expense Total	0	0	0
Training and Orientation Total	0	0	0
Temp/Contract Personnel	0	0	0
Covenant Management Fees	0	0	0
<b>Total ALLOCATED Expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>36. TOTAL ADMINISTRATION (Lines 31 to 36)</b>	<b>971,164</b>	<b>971,164</b>	<b>4,116,797</b>
FIT & Excise Tax	0	0	0
<b>37. Total Other Expenses:</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>38. TOTAL EXPENSES (Lines 30 and 37 and 37A)</b>	<b>69,672,819</b>	<b>69,672,819</b>	<b>215,739,088</b>
<b>39. NET INCOME (LOSS) (Line 4 less Line 38)</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES**

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	315,979	315,979	1,243,200
<b>REVENUES:</b>			
1. TennCare Capitation	44,559,476	44,559,476	188,214,822
2. Investment	676,670	676,670	2,448,616
3. Other Revenue	0	0	3,653,634
IBNR / Capitation Revenue Receivable	25,134,446	25,134,446	24,064,994
Premium Tax	(51,310)	(51,310)	3,253,034
State Admin Revenue	0	0	0
4. TOTAL REVENUES (Lines 1 to 3)	70,319,282	70,319,282	221,634,900
<b>EXPENSES:</b>			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	0
6. Fee-For-Service Physician Services	8,659,405	8,659,405	24,712,195
7. Inpatient Hospital Services	36,614,349	36,614,349	108,957,785
8. Outpatient Services	13,423	13,423	65,397
9. Emergency Room Services	5,469,193	5,469,193	15,195,927
10. Mental Health Services	5,373	5,373	22,659
11. Dental Services (Capitated & FFS)	733	733	3,076
12. Vision Services (Capitated , FFS & Opthamology)	212,368	212,368	825,503
13. Pharmacy Services (Capitated & FFS)	1	1	(22,738)
14. Home Health Services	202,900	202,900	900,434
15. Chiropractic Services	0	0	0
16. Radiology Services	76,569	76,569	343,156
17. Laboratory Services	9,234,878	9,234,878	26,737,123
18. Durable Medical Equipment Services	3,226,612	3,226,612	10,770,833
19. Transportation Services (Capitated)	1,119,570	1,119,570	4,599,149
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)	0	0	0
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	1,920,356	1,920,356	8,948,676
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	365,173	365,173	1,462,137
Anesthesiology - FFS Hosp & Other	672,434	672,434	2,833,024
Gastroenterology	10,996	10,996	61,654
Preventive Medicine	767,206	767,206	3,554,266
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	541,353	541,353	3,213,912
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	69,112,891	69,112,891	213,184,158
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:			
26. Copayments	0	0	0
27. Subrogation	211,270	211,270	1,010,472
27a Recoveries	314,630	314,630	703,413
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	525,900	525,900	1,713,884
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	68,586,991	68,586,991	211,470,274

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
<b>Administration:</b>			
31. Compensation (Including Allocated Costs)	234,994	234,994	9,567,364
32. Marketing (Including Allocated Costs)	2,522	2,522	6,290
33. Premium Tax Expense	971,164	971,164	4,116,797
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	0	0	1,167,298
35. Other Administration (Provide detail)	0	0	0
Printing	58,168	58,168	143,605
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	49,119	49,119	166,199
Legal Fees	3,885	3,885	11,542
Liquidated Damages	60,200	60,200	(552,350)
Outside Services	112,575	112,575	361,459
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	58	58	4,522
Dues, Fees & Licenses	660	660	41,550
Education & Seminars	0	0	0
Meals & Entertainment	19	19	393
Office Supplies	1,203	1,203	6,339
Minor Equipment	4,097	4,097	4,662
Travel	0	0	218
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	22,089	22,089	40,784
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	66,486	66,486	110,034
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	0
Program Run Out Expense	0	0	0
State Admin Revenue	(3,575,616)	(3,575,616)	(14,235,271)
Miscellaneous Expense	181,933	181,933	(1,314,246)
<b>Total DIRECT Expenses</b>	<b>(1,806,444)</b>	<b>(1,806,444)</b>	<b>(352,812)</b>
<b>Other ALLOCATED Expenses (Provide detail)</b>			
Rent/Utilities	0	0	559,297
Printing	0	0	86,004
Postage	0	0	411,526
Legal Fees	0	0	364,930
Outside Services	0	0	1,451,036
Board & Committee Fees	0	0	103,436
Survey Fees	0	0	67,776
Telephone/Beepers/Cellular Phones	0	0	336,105
Books & Subscriptions	0	0	98,831
Minor Equipment	0	0	74,367
Computer Supplies	0	0	0
Dues, Fees & Licenses	0	0	106,331
Education & Seminars	0	0	61,782
Meals & Entertainment	0	0	24,456
Office Supplies	0	0	108,760
Travel	0	0	68,986
Miscellaneous Expense	4,805,956	4,805,956	167,635
Franchise, Excise & Property Taxes & Sales/Use Tax	0	0	109,936
Insurance	0	0	298,828
Leases & Rentals of equipment	0	0	49,082
Repairs/Maintenance Agreements	0	0	527,522
Relocation Expense Total	0	0	2,248
Training and Orientation Total	0	0	0
Temp/Contract Personnel	0	0	477,238
Covenant Management Fees	0	0	2,313,414
<b>Total ALLOCATED Expenses</b>	<b>4,805,956</b>	<b>4,805,956</b>	<b>7,869,525</b>
<b>36. TOTAL ADMINISTRATION (Lines 31 to 36)</b>	<b>2,999,512</b>	<b>2,999,512</b>	<b>7,516,713</b>
FIT & Excise Tax	(430,855)	(430,855)	(107,346)
<b>37. Total Other Expenses:</b>	<b>(430,855)</b>	<b>(430,855)</b>	<b>(107,346)</b>
<b>38. TOTAL EXPENSES (Lines 30 and 37 and 37A)</b>	<b>71,155,647</b>	<b>71,155,647</b>	<b>218,879,641</b>
<b>39. NET INCOME (LOSS) (Line 4 less Line 38)</b>	<b>(836,365)</b>	<b>(836,365)</b>	<b>2,755,259</b>

# CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>			
1.	Premiums collected net of reinsurance .....		
2.	Net investment income .....	709,566	2,594,584
3.	Miscellaneous income .....		3,653,634
4.	Total (Lines 1 to 3) .....	709,566	6,248,218
5.	Benefit and loss related payments .....	(114,665)	791,923
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	420,936	2,631,979
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) .....	(430,855)	862,425
10.	Total (Lines 5 through 9) .....	(124,584)	4,286,327
11.	Net cash from operations (Line 4 minus Line 10) .....	834,150	1,961,891
<b>Cash from Investments</b>			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	5,709,939	21,056,223
12.2	Stocks .....		
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7	Miscellaneous proceeds .....		
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	5,709,939	21,056,223
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	7,417,750	24,306,582
13.2	Stocks .....		
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....		
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	7,417,750	24,306,582
14.	Net increase (or decrease) in contract loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14) .....	(1,707,811)	(3,250,359)
<b>Cash from Financing and Miscellaneous Sources</b>			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....		
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....		
17.	Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6) .....		
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	(873,661)	(1,288,468)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year .....	2,411,620	3,700,088
19.2	End of period (Line 18 plus Line 19.1) .....	1,537,959	2,411,620

## Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

	Description	Amount 1	Amount 2
20.0001			

## EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
Total Members at end of:										
1. Prior Year										
2. First Quarter										
3. Second Quarter										
4. Third Quarter										
5. Current Year										
6. Current Year Member Months										
Total Member Ambulatory Encounters for Period:										
7. Physician	216,487								216,487	
8. Non-Physician	126,459								126,459	
9. Total	342,946								342,946	
10. Hospital Patient Days Incurred	6,845								6,845	
11. Number of Inpatient Admissions	1,873								1,873	
12. Health Premiums Written (a)										
13. Life Premiums Direct										
14. Property/Casualty Premiums Written										
15. Health Premiums Earned										
16. Property/Casualty Premiums Earned										
17. Amount Paid for Provision of Health Care Services	(114,865)								(114,865)	
18. Amount Incurred for Provision of Health Care Services	(114,865)								(114,865)	
(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$	0									

STATEMENT AS OF **March 31, 2008** OF THE Preferred Health Partnership of Tennessee, Inc.  
**CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)**

Aging Analysis of Unpaid Claims						
1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 days	6 Over 120 Days	7 Total
<div style="border: 1px solid black; padding: 10px; text-align: center; font-size: 2em; font-weight: bold;">N O N E</div>						
0899999 Accrued Medical Incentive Pool And Bonus Amounts						

# UNDERWRITING AND INVESTMENT EXHIBIT

## ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1-3)	6 Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec.31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital & medical)						
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid	(114,665)				(114,665)	
8. Other health						
9. Health subtotal (Lines 1 to 8)	(114,665)				(114,665)	
10. Healthcare receivables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals	(114,665)				(114,665)	

(a) Excludes \$.00 loans or advances to providers not yet expensed.

## Notes to Financial Statement

1. Summary of Significant Accounting Policies
 

Not applicable
2. Accounting Changes and Corrections of Errors
 

Not applicable
3. Business Combinations and Goodwill
 

Not applicable
4. Discontinued Operations
 

Not applicable
5. Investments
 

Not applicable
6. Joint Ventures, Partnerships, and Limited Liability Companies
 

Not applicable
7. Investment Income
 

Not applicable
8. Derivative Instruments
 

Not applicable
9. Income Taxes
 

Not applicable
10. Information concerning Parent, Subsidiaries, and Affiliates
 

Not applicable
11. Debt
 

Not applicable
12. Retirement Plans, Deferred Compensation, Post employment benefits and Compensated Absences and Other Postretirement Benefit Plans.
 

Not applicable
13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations
 

Not applicable
14. Contingencies
 

Not applicable
15. Leases
 

Not applicable
16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk
 

Not applicable
17. Sales, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities
 

A-B. Not applicable

C. Wash Sales  
Not applicable
18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans
 

Not applicable
19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators



## Notes to Financial Statement

Not applicable

20. September 11 Events

Not applicable

21. Other Items

Not applicable

22. Events Subsequent

Not applicable

23. Reinsurance

Not applicable

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not applicable

25. Change in Incurred Claims and Claim Adjustment Expenses

Not applicable

26. Intercompany Pooling Arrangements

Not applicable

27. Structured Settlements

Not applicable

28. Health Care Receivables

Not applicable

29. Participating Policies

Not applicable

30. Premium Deficiency Reserves

Not applicable

31. Anticipated Salvage and Subrogation

Not applicable

**GENERAL INTERROGATORIES**

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

**PART 1 - COMMON INTERROGATORIES****GENERAL**

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes[ ] No[X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes[ ] No[ ] N/A[X]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[ ] No[X]
- 2.2 If yes, date of change: \_\_\_\_\_
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes[ ] No[X]  
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[ ] No[X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes[ ] No[ ] N/A[X]  
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ....12/31/2005
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....12/31/2005
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....12/28/2006
- 6.4 By what department or departments?  
TENNESSEE DEPT OF COMMERCE AND INSURANCE - TENNCARE DIVISION
- 6.5 Have any financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes[ ] No[ ] N/A[X]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[ ] No[ ] N/A[X]
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes[ ] No[X]
- 7.2 If yes, give full information
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[ ] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company. Yes[ ] No[X]
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
		Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes[X] No[ ]
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 9.11 If the response to 9.1 is No, please explain:
- 9.2 Has the code of ethics for senior managers been amended? Yes[ ] No[X]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes[ ] No[X]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

**FINANCIAL**

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes[ ] No[X]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ ..... 0

**INVESTMENT**

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes[ ] No[X]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$ ..... 0
13. Amount of real estate and mortgages held in short-term investments: \$ ..... 0
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes[ ] No[X]

## GENERAL INTERROGATORIES (Continued)

## INVESTMENT

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds .....		
14.22 Preferred Stock .....		
14.23 Common Stock .....		
14.24 Short-Term Investments .....		
14.25 Mortgages Loans on Real Estate .....		
14.26 All Other .....		
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) .....		
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....		

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes[ ] No[X]  
Yes[ ] No[ ] N/A[X]15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[ ]

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
NORTHERN TRUST .....	PO BOX 75986 CHICAGO, IL 60675-5986 .....

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes[ ] No[X]

16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
108718 .....	MARTIN AND COMPANY .....	TWO CENTRE SQUARE, SUITE 200, 625 S GAY ST .....
		KNOXVILLE, TN 37902 .....

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes[X] No[ ]

17.2 If no, list exceptions:

12    Schedule S Ceded Reinsurance ..... NONE

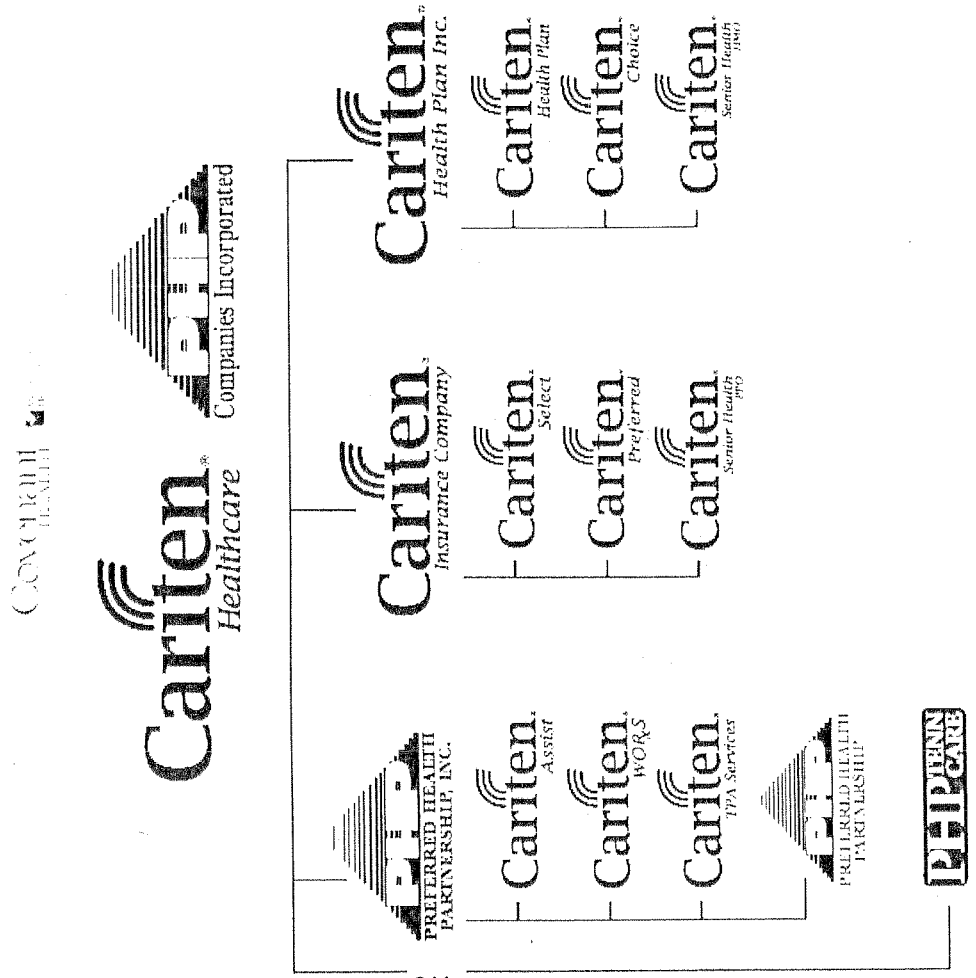
13    Schedule T - Premiums and Other Consid. .... NONE

STATEMENT AS OF March 31, 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



## SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?

RESPONSE

No

Explanations:

Bar Codes:

Medicare Part D Coverage Supplement



95749200836500001

2008

Document Code: 365

## OVERFLOW PAGE FOR WRITE-INS

## LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
2104. Reserve for At Risk Revenue .....	2,214,795	.....	2,214,795	1,643,136
2105. Unclaimed Property .....	121,141	.....	121,141	121,141
2197. Summary of remaining write-ins for Line 21 (Lines 2104 through 2196) .....	2,335,936	.....	2,335,936	1,764,277

## SCHEDULE A - VERIFICATION

### Real Estate

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acquisitions		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1 + 2 + 3 + 4 - 5 + 6 - 7 - 8)		
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

## SCHEDULE B - VERIFICATION

### Mortgage Loans

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acquisitions		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest point		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

## SCHEDULE BA - VERIFICATION

### Other Long-Term Invested Assets

Description	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acquisitions		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

## SCHEDULE D - VERIFICATION

### Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	54,143,000	51,260,404
2. Cost of bonds and stocks acquired	7,417,750	24,306,582
3. Accrual of discount	8,998	30,639
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals	73,944	(71,466)
6. Deduct consideration for bonds and stocks disposed of	5,709,939	21,056,223
7. Deduct amortization of premium	79,614	326,935
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7+8-9)	55,854,139	54,143,000
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	55,854,139	54,143,000



## SCHEDULE D - PART 1B

## Showing the Acquisitions, Dispositions and Non-Trading Activity

## During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 (a)	51,004,490	5,094,477	7,209,939	14,014	48,903,043			51,004,490
2. Class 2 (a)	4,638,510	2,323,273		(10,667)	6,951,096			4,638,510
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	55,643,000	7,417,750	7,209,939	3,328	55,854,139			55,643,000
<b>PREFERRED STOCK</b>								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	55,643,000	7,417,750	7,209,939	3,328	55,854,139			55,643,000
Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$								0; NAIC 2
\$	0; NAIC 3 \$	0; NAIC 4 \$	0; NAIC 5 \$	0; NAIC 6 \$				

SI03	Schedule DA Part 1 .....	NONE
SI03	Schedule DA Verification .....	NONE
SI04	Schedule DB Part F Section 1 .....	NONE
SI05	Schedule DB Part F Section 2 .....	NONE
SI06	Schedule E - Verification (Cash Equivalents) .....	NONE
E01	Schedule A Part 2 .....	NONE
E01	Schedule A Part 3 .....	NONE
E02	Schedule B Part 2 .....	NONE
E02	Schedule B Part 3 .....	NONE
E03	Schedule BA Part 2 .....	NONE
E03	Schedule BA Part 3 .....	NONE

STATEMENT AS OF March 31, 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

## SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
<b>Bonds - U.S. Governments</b>									
912828H06	US TREAS NOTES		02/06/2008	FIRST TENNESSEE	XXX	203,872	200,000.00	95	1
912828HT0	US TREAS NOTES		03/17/2008	FIRST TENNESSEE	XXX	3,057,544	3,000,000.00		1
0399999	Subtotal - Bonds - U.S. Governments				XXX	3,261,416	3,200,000.00	95	XXX
<b>Bonds - Political Subdivisions of States, Territories and Possessions</b>									
499523UG1	KNOX COUNTY HEALTH EDL		02/19/2008	NORTHERN TRUST	XXX	1,091,026	1,060,000.00	7,508	1FE
2499999	Subtotal - Bonds - Political Subdivisions of States, Territories and Possessions				XXX	1,091,026	1,060,000.00	7,508	XXX
<b>Bonds - Industrial and Miscellaneous (Unaffiliated)</b>									
30161MAB9	EXELON GENERATION CO		01/31/2008	NORTHERN TRUST	XXX	1,069,060	1,000,000.00	9,653	2FE
50075NAB0	KRAFT FOODS INC		02/06/2008	NORTHERN TRUST	XXX	519,355	500,000.00	7,813	2FE
92344GAV8	VERIZON NT		01/31/2008	NORTHERN TRUST	XXX	742,035	750,000.00	5,833	1FE
437076AR3	HOME DEPOT INC		02/07/2008	NORTHERN TRUST	XXX	734,858	750,000.00	6,125	2FE
4599999	Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)				XXX	3,065,308	3,000,000.00	29,424	XXX
6099997	Subtotal - Bonds - Part 3				XXX	7,417,750	7,260,000.00	37,027	XXX
6099998	Summary Item from Part 5 for Bonds (N/A to Quarterly)				XXX	XXX	XXX	XXX	XXX
6099999	Subtotal - Bonds				XXX	7,417,750	7,260,000.00	37,027	XXX
6599998	Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)				XXX	XXX	XXX	XXX	XXX
7299998	Summary Item from Part 5 for Common Stocks (N/A to Quarterly)				XXX	XXX	XXX	XXX	XXX
7399999	Subtotal - Preferred and Common Stocks				XXX	XXX	XXX	XXX	XXX
7499999	Total - Bonds, Preferred and Common Stocks				XXX	7,417,750	7,260,000.00	37,027	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....0.

## SCHEDULE D - PART 4

Show All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of  
by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value				15	16	17	18	19	20	21	22	
CUSIP Identification	Description	Disposal Date		Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B.A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B.A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)	
Bonds - U.S. Governments																						
313585C0	FNMA DISC NT	01/22/2008		MATURED	XXX	1,500,000	1,500,000.00	1,500,000	1,500,000						1,500,000						01/22/2008	1FE
313585L2	FNMA DISC NT	03/10/2008		NORTHERN TRUST	XXX	2,857,790	2,857,790.00	2,857,790	2,857,790		1,639		1,639		2,857,790		71,713	2,231	71,713		08/16/2009	1FE
313594WJ	FNMA PREASSGN	03/10/2008		NORTHERN TRUST	XXX	52,148	50,000.00	49,874	49,816				1,380		49,816		2,231	2,231			10/15/2014	1FE
7399999	Subtotal - Bonds - U.S. Governments				XXX	4,209,938	4,150,000.00	4,132,675	4,134,355		1,640		1,640		4,135,955		73,944	73,944			XXX	XXX
Bonds - Political Subdivisions of States, Territories and Possessions																						
837031PC1	SOUTH CAROLINA DISC VAR NT	02/05/2008		NORTHERN TRUST	XXX	1,000,000	1,000,000.00	1,000,000	1,000,000						1,000,000						10/01/2008	1FE
520950C0	METRO GOVT NASHVILLE VAR	02/08/2008		NORTHERN TRUST	XXX	1,000,000	1,000,000.00	1,000,000	1,000,000						1,000,000						12/01/2031	1FE
130396V6	CALIFORNIA HSG FN	03/10/2008		NORTHERN TRUST	XXX	3,000,000	3,000,000.00	3,000,000	3,000,000						3,000,000						08/01/2009	1FE
7399999	Subtotal - Bonds - Political Subdivisions of States, Territories and Possessions				XXX	7,209,938	7,150,000.00	7,132,675	7,134,355		1,540		1,540		7,135,955		73,944	73,944			XXX	XXX
6599997	Subtotal - Bonds - Part 4				XXX	XXX	XXX	XXX	XXX		XXX		XXX		XXX		XXX	XXX			XXX	XXX
6599998	Summary Item from Part 5 for Bonds (N/A to Quarterly)				XXX	XXX	XXX	XXX	XXX		XXX		XXX		XXX		XXX	XXX			XXX	XXX
7399999	Subtotal - Bonds				XXX	7,209,938	7,150,000.00	7,132,675	7,134,355		1,540		1,540		7,135,955		73,944	73,944			XXX	XXX
6599998	Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)				XXX	XXX	XXX	XXX	XXX		XXX		XXX		XXX		XXX	XXX			XXX	XXX
7399999	Summary Item from Part 5 for Common Stocks (N/A to Quarterly)				XXX	XXX	XXX	XXX	XXX		XXX		XXX		XXX		XXX	XXX			XXX	XXX
7399999	Subtotal - Preferred and Common Stocks				XXX	XXX	XXX	XXX	XXX		XXX		XXX		XXX		XXX	XXX			XXX	XXX
7399999	Total - Bonds, Preferred and Common Stocks				XXX	7,209,938	7,150,000.00	7,132,675	7,134,355		1,540		1,540		7,135,955		73,944	73,944			XXX	XXX

(a) For all common stock bearing the NAC market indicator "U" provide the number of such issues.....0.

E06    Schedule DB Part A Section 1 ..... NONE

E06    Schedule DB Part B Section 1 ..... NONE

E07    Schedule DB Part C Section 1 ..... NONE

E07    Schedule DB Part D Section 1 ..... NONE

# SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1			2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
Depository			Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6 First Month	7 Second Month	8 Third Month	*
open depositories										
Cash on Deposit .....	First Tennessee Bank .....				2,753		187,046	132,678	447,220	X X X
Northern Trust .....	Chicago Illinois .....				11,996	1,460	2,205,487	249,426	1,090,739	X X X
0199998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			X X X	X X X						X X X
0199999 Totals - Open Depositories			X X X	X X X	14,750	1,460	2,392,533	382,104	1,537,959	X X X
0299998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			X X X	X X X						X X X
0299999 Totals - Suspended Depositories			X X X	X X X						X X X
0399999 Total Cash On Deposit			X X X	X X X	14,750	1,460	2,392,533	382,104	1,537,959	X X X
0499999 Cash in Company's Office			X X X	X X X	X X X	X X X				X X X
0599999 Total Cash			X X X	X X X	14,750	1,460	2,392,533	382,104	1,537,959	X X X

E09    Schedule E Part 2 Cash Equivalents ..... NONE

Supp1    Medicare Part D Coverage Supplement ..... NONE

ACT    Actuarial Statement ..... NONE

**EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID**

1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199999 Total individuals						
0299998 Premium due and unpaid not individually listed						
0299999 Total group		NONE				
0399999 Premiums due and unpaid from Medicare entities						
0499999 Premiums due and unpaid from Medicaid entities						
0599999 Accident and health premiums due and unpaid (Page 2, Line 12)						



**EXHIBIT 3 - HEALTH CARE RECEIVABLES**

1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199998 Subtotal - Pharmaceutical Rebate Receivables - Not Individually Listed						
0199999 Subtotal - Pharmaceutical Rebate Receivables						
0299998 Subtotal - Claim Overpayment Receivables - Not Individually Listed						
0299999 Subtotal - Claim Overpayment Receivables						
0399998 Subtotal - Loans and Advances to Providers - Not Individually Listed						
0399999 Subtotal - Loans and Advances to Providers						
0499998 Subtotal - Capitation Arrangements Receivables - Not Individually Listed						
0499999 Subtotal - Capitation Arrangements Receivables						
0599998 Subtotal - Risk Sharing Receivables - Not Individually Listed						
0599999 Subtotal - Risk Sharing Receivables						
0699998 Subtotal - Other Receivables - Not Individually Listed						
0699999 Subtotal - Other Receivables						
0799999 Gross health care receivables						

NONE

STATEMENT AS OF MARCH 31, 2008 of the PREFERRED HEALTH PARTNERSHIP OF TENNESSEE, INC.

## EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted		8 Non-Current
						Current		
<b>Individually listed receivables</b>								
Preferred Health Partnership Companies, Inc	0	0	0		0			
Cariten Insurance Company			0			0		0
Cariten Health Plan, Inc.								
0199999 - Total Individually Listed Receivables	0	0	0	0	0	0		0
0299999 - Receivables not individually listed								
0399999 - Total gross amounts receivable	0	0	0	0	0	0		0

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